GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1820
ANSWERED ON:25.11.2016
Interest Subvention Scheme
Chauhan Shri Devusinh Jesingbhai;Chudasama Shri Rajeshbhai Naranbhai;Kambhampati Dr. Hari Babu;Patel Smt. Jayshreeben ;Shekhawat Shri Gajendra Singh

Will the Minister of FINANCE be pleased to state:

(a) the details of salient features of the interest subvention scheme for short term crop loan;
(b) whether the Government has reduce the eligible quantum of refinance from 50 per cent to 40 per cent of under Realistic Landing Programme for the year 2015-16, if so, the details thereof and the reasons therefor;
(c) whether National Bank for Agriculture and Rural Development (NABARD) has deprived 40 per cent of the eligible farmers of Gujarat from applying for cheap short term agricultural loan of Rs. 3 lakh @ 7 per cent, if so, the details thereof; and
(d) the action being taken by the Government in this regard in order to mitigate the fund requirement of cooperative banks of the State?

Answer

The Minister of State in the Ministry of Finance

(a): With a view to ensuring availability of agriculture credit at a reduced interest rate of 7% p.a. to farmers, the Government of India in the Department of Agriculture, Cooperation & Farmers' Welfare implements an interest subvention scheme for short term crop loans up to Rs.3.00 lakh. The salient features of the said Interest Subvention Scheme for the year 2016-17 are given below:
â€¢ An interest subvention of 2% will be made available to banks so that they lend the short term crop loan up to Rs.3.00 lakh @ 7% p.a. Besides, additional subvention of 3% will be given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

â€¢ In order to discourage distress sale of crops by small and marginal farmers, the benefit of interest subvention of 2% will be available to small and marginal farmers having Kisan Credit Card for a further period of up to six months against negotiable warehouse receipts for keeping their produce in warehouses.

â€¢ To provide relief to farmers affected by natural calamities, the interest subvention of two percent will continue to be available to banks for the first year on the restructured amount. Such restructured loans may attract normal rate of interest from the second year onwards as per the policy laid down by the Reserve Bank of India (RBI).
(b) to (d): National Bank for Agriculture & Rural Development (NABARD) has reported that the quantum of refinance for Cooperative Banks depends on the Short Term Cooperative Rural Credit (Refinance) Fund, which is made available to NABARD from out of the shortfall in priority sector lending targets by commercial banks. Other factors taken into consideration for determining the quantum of refinance by NABARD are Capital to Risk Weighted Assets Ratio (CRAR), Net Non-Performing Assets (NPA) level, realistic lending programme and backwardness of the State / regions. As per the policy circular of NABARD, the normal quantum of refinance for 2016-17 for State Cooperative Banks (StCBs) has been set as under:
â€¢ 40 per cent of their Realistic Lending Programme (RLP) for general areas including Gujarat.
â€¢ 45 per cent of the RLP for the Eastern region including Bihar, Odisha, West Bengal, Chhattisgarh, Jharkhand and 28 districts of Eastern Uttar Pradesh.
â€¢ 60 per cent of RLP for the North Eastern Region (NER), Jammu and Kashmir, Sikkim, Andaman and Nicobar Islands, Himachal Pradesh and Uttarakhand.
.....2/-

NABARD has stated that it has not deprived 40% of the eligible farmers of Gujarat from applying for cheap short term agricultural loans of ? 3 lakh @7%. As reported by NABARD, the details of refinance sanctioned to Gujarat StCB by NABARD and utilization thereagainst during the last three years are as under:
(Amount in ? crore)

Year Gujarat

Limit Sanctioned Utilization
2014-15 4400.00 4386.22
2015-16 3700.00 3700.00
2016-17 2930.00 2869.24

NABARD has further reported that in view of the banks facing liquidity constraints due to reasons like drought conditions and increased demand, withdrawal of deposits from Central Cooperative Banks/ Regional Rural Banks (RRBs), etc., NABARD has provided additional short-term refinance for Short Term-Seasonal Agricultural Operations (ST-SAO) to StCBs and RRBs over and

above normal ST-SAO limit during the year 2016-17. The total limit sanctioned under normal ST-SAO and additional short-term refinance was to the extent of 50% of RLP of eligible Central Cooperative Banks (CCBs). Gujarat StCB has availed refinance to the tune of Rs.1200 crore under this facility during the current year.